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PARTY AS AN AID TO A SOUND
FARM ECONOMY

Reserve

With the passage of recent legislation authorizing Government loans to the producers of wheat, corn, cotton, tobacco, and rice at 85 percent of parity prices, a brief restatement of the parity aims of the Agricultural Adjustment Administration may be helpful.

To begin with, it should be stressed that parity payments are payments made to the producers of corn, wheat, cotton, rice, or tobacco when the prices of these commodities are below parity. The parity payments, as far as Congressional appropriations will permit, give the farmer the difference between the average farm price and parity.

Parity income may be defined as the income for farmers that bears the same relation to the income of nonfarmers that prevailed during the years 1909-1914. Parity payments help growers to realize a fairer share of the national income.

The parity price for corn, wheat, cotton, or rice is regarded as a price equivalent in buying power to the buying power of such commodities during the 5-year base period prior to 1914. The base period for tobacco is somewhat different.

The 1909-14 period was selected, not because it was a period of peak farm prices, but because it represents a normal, fairly level period in the economic history of the Nation's agriculture. During these years, agriculture was more nearly balanced than at any other time since, inasmuch as total consumption stood in a better relation to total production.

This was due to three factors: (1) Farmers were producing on fairly even levels because they felt that they could receive fair prices for what they produced, and farm income was in fair relation to the income of other groups, (2) the birth rate of the Nation was high and, in addition, immigration was still bringing great numbers of people to the country each year, thus creating a steady demand for food and clothing, and (3) the investment of foreign capital to develop natural resources made the United States a debtor nation and allowed us to pay our debts largely in agricultural products.

To meet demands brought on by the First World War, many acres of new land were planted to food for human consumption. After a period of wartime boom prices, a new trend toward national self-sufficiency on the part of most of the nations of the world, combined with other factors, took away ever-increasing portions of our foreign markets. This, together with a reduction in the purchasing power of our people caused by unemployment and the over-production of farm commodities, brought about an ever-growing disparity between the price the farmer paid for the things he had to buy and the prices he was paid for his products. The result was a serious national farm problem.

It is to help in meeting this problem that parity payments are made to bridge the gap between farm income and expenses.

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Division of Inf., AAA,
June, 1941

Parity payments, loans, and soil conservation payments are made to provide, as nearly as possible, parity income.

The parity loan bill, it should be emphasized, does not authorize loans at full parity but only at 85 percent of that figure. Neither, as observers have pointed out, do the loans necessarily mean a proportionate increase in consumer prices. Although some food prices will probably go higher, such increases cannot be attributed entirely to the stronger farm prices which farmers will receive as a result of the parity loan bill's adoption.

When the farmer receives only 1 cent out of the 8 cents the consumer pays for a loaf of bread, he is not making undue gain. Nor is he reaping an excessive return when he receives 13 cents out of the price of every \$2 cotton shirt sold.

For years the farmer has been feeding the Nation at bargain prices. If the parity loans are responsible for giving the farmer a price approaching parity for his products, it may be fairly said that the loans are a means of stabilizing income for an important group of American citizens.

The gravity of the crisis confronting America is such that all elements in our national life should be strengthened as much as possible to face whatever the future may hold. The parity payment is one element in a total program to place American agriculture on the sound footing so necessary to our national defense effort.

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